



Lequa – Lequinox Platform Use Case: Financial Services Know Your Customer (KYC)

Financial service businesses are faced with a regulatory and compliance environment that is complex and evolving, and are having to devote more resources to compliance, governance and risk issues. Knowing your customer is critical for financial services organizations to verify the identity of its clients, in order to prevent money laundering, identity theft and financial fraud.

Know Your Customer (KYC) Processes

Business Outcomes

For financial institutions it is critical to know who you are connecting with in a financial process or financial transaction, being able to securely and confidently identify people and organisations.

Business Outcomes

- Accountability & Responsibility (Who did what and when)
- Traceability & Archiving (Audit trail)
- Legal Assurance
- Compliance
- Manage Risks



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Pressures

Conduct risk issues are generating a raft of enforcement actions and heavy fines from regulators around the world. Providing financial institutions, organizations and individuals with digital KYC processes that enable secure compliance, secure transaction records and improved customer satisfaction is an attractive solution which many financial institutions are looking for.

What are the issues financial institutions face?

- KYC guidelines is to prevent financial institutions from being used, intentionally or unintentionally, by criminal elements for money laundering activities. Related procedures also enable banks to better understand their customers and their financial dealings. This helps them manage their risks prudently. Banks usually frame their KYC policies incorporating the following four key elements:
 - Customer Policy;
 - Customer Identification Procedures;
 - Monitoring of Transactions; and
 - Risk management.
- The financial institution personnel want to save time both behind the desk and when meeting a customer. The customer should have the choice of replying anytime and using any channel while holding integrity of process and accountability of actions.
- Using digital signatures significantly reduces time and cost in KYC processes.

What is the impact of not knowing your customer?

- Non-compliance by a financial institution may lead to severe consequences from regulatory authorities and risk damaging reputation and brand.
- The financial institutions officer/clerk/manager typically spends a significant amount of time on administration, valuable time which could be spent meeting and advising clients'..



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Solution

Using one platform to identify private persons, businesses, organisations, financial institutions, or foundations with integrity and confidentiality.

- Providing legal assurance and compliance.
- Improve the efficiency of the KYC processes.
- Reducing man-hours that existing processes consume, by using digital signatures with automated KYC processes.

The transaction details are securely stored, encrypted in a transaction log. It provides the financial institution and its customers with the access to a separate archives with electronically signed receipts that have legal weight and supports non-repudiation.

Approach

- Based on the Lequinox platform, distributed by Hewlett Packard Enterprise. This is an innovative approach supporting validation of identities, integrity of processes, traceability of digital interaction, and interoperability between different services.
- The Lequinox platform is designed to help managers set interaction rules to manage access control, identity, roles and applications, digital signing, traceability and archiving.
- The Lequinox platform is a comprehensive solution that executes changing business processes and compliance requirements, and enables interaction with business partners, employees and public authorities in compliance with standards and legislative requirements.
- This facilitates communication with customers, businesses and other financial institutions at all levels from local to global, due to the interoperability between decentralized platforms.
- The Lequinox solution can be applied to existing applications and integrated to provide support for the KYC processes.

IT Matters

The Lequinox platform delivers:

- Ability to digitalize identification process for each specific user type (national and international);
- Traceability of audit logs to support compliance with signed and time-stamped digital logs;
- Integrity and confidentiality in the acquisition or the submission of information by companies and individuals;
- Improve quality and control on the information submitted (Notary's report on request content).



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The Lequinox Platform is a flexible and highly versatile platform, it can be integrated into an application, online service, or critical process point. It can be delivered via:

- Lequinox cloud solution
- On premise private Lequinox cloud solution

The Lequinox platform is compliant with the following established standards:

- SHA256,
- AES256,
- SSL,
- PKI X509 v3.

The Lequinox solution also provides additional Lequinox standards:

- Split key standard,
- Lequinox Server Protocol,
- Local Encryption,
- PKI switch.

Furthermore, add-on security features such as FIPS 140, biometrics, and smart cards are supported to meet any additional policy requirements.

The Lequinox solution is a decentralized and scalable platform and can be configured to support KYC processes aligned to national (country) legal and compliance regimes to enable legal protection and accountability

Lequinox platform also supports SOX and other current standards, in providing accuracy of financial information, supporting accountability in audits, helping to avoid the severe penalties connected with SOX compliance failure.

Business Matters

By adopting a Lequinox solution, the following business benefits can be delivered e.g to the KYC process:

- Reducing administration costs for paper trails and postage
- Time efficiencies for the financial institution and the customer due to automatic collection and secure storage of customer data
- Efficient use of information and improved quality of collected data
- Mitigating risks for non-compliance through archiving and traceability
- Simplifying customer status check and monitor compliance through financial institutions archive and traceability functions
- Bank employees can add value to customers by having more time to discuss products and solutions rather than spending time on administration.

Lequinox platform enables managers to set compliance requirements and access policies for roles and applications. This means that financial institutions have full assurance that their IT processes respond on all occasions to business policy and compliance requirements.

Once empowered by Lequinox platform, connected applications, data center, and cloud services becomes autonomously responsive to requirements. This makes it less time consuming and less costly to adapt to changes in requirements or to initiate changes in business processes.



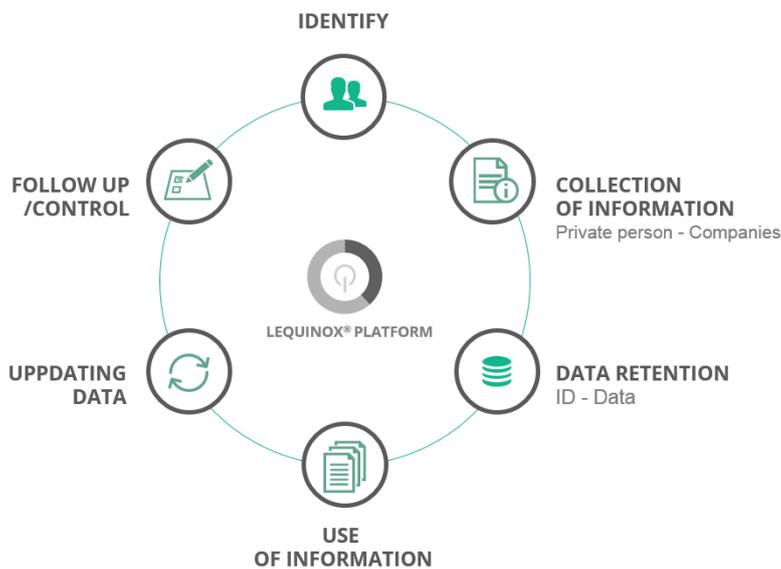
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This permits financial institutions and clients to exchange critical information while holding full assurance that all rights ownership are preserved, that all responsibilities are clear and that every action point is traceable.

Adding accountability, responsibility and traceability to the KYC Process

Reduce cost, secure compliance and increase customer satisfaction.

KYC Process:



- KYC process starts with identification – it is of utmost importance for participants that they trust the communication and no one else can interfere or manipulate content. Customer satisfaction is created when a client can communicate regardless of time or channel in a secure way.
- Collection of information is time consuming and is best performed at the convenience of the customer. The accuracy of the information, time and storage in a personal database is secured.
- Customer satisfaction is improved as the customer keeps the verification information on the interaction and can always prove compliance/action.
- . The Lequinox solution is cloud based (Public/Private/Hybrid) and can provide secure, authenticated access to the transaction audit data from any connected person/device.
- The KYC information needs to be stored, analyzed and the result of the analyses passed on to other systems, such as back- middle and front systems. The data needs to be updated regularly, on specific events or on a transaction bases.
- The customer can be easily prompted on action points and supplying information is made easier in an all-digital interaction.



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Focus:

- Customer identification
- Collection of customer data (including information related to US persons, politically exposed persons, economic information and origin of proceeds to be invested)
- Customer agreements (general terms and conditions and standardized information)
- Updating of customer information and agreements

Time & Cost:

- Time consuming process for financial institution as well as customer to deal with physical paper flow, either by post or in branch offices.
- Time consuming paper work becomes a hurdle to attract new customers and also reduces the time focused on customer interactions.
- Lack of useful customer data: paper trail information needs to be inserted manually or to be scanned to pdf format by financial institution employees. Customer data is not used efficiently.
- Compliance: Difficult and time consuming to ensure and monitor compliance with regulation and policies.

In summary:

Today's KYC processes are expensive, customer unfriendly and compliance is burdensome



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Lequinox Overview

The Lequinox® platform is comprised of four primary features & principles. In combination, these successfully bridge business policy requirements and the IT infrastructure that enforces them:

1- Identity and roles: Identity is controlled by individuals. Authorized users can sign digitally under a delegated role and access services and applications. Organizations are able to authenticate employees, clients and applications based on Lequinox references; bringing complete security and control to all IT processes.

2- Process integrity: The solution is policy-based and protects process and information integrity. Individuals digitally sign their files locally and act only within their access levels. This supports a high level of security for both cloud-based solutions and access control management.

3- Traceability: A receipt is created for every interaction. These receipts contain detailed information on the action and also on the individual who applied the interaction and when they did so, in accordance with policy. All interacting parties have access to their archive to store receipts.

4- Interoperability: All connected individuals and applications can interoperate in different policy environments including different business policies, industry standards or national legislations.

BankSign KYC application based on Lequinox platform

BankSign application based on the Lequinox platform enables a strong foundation for KYC digital processes by providing:

- Identity and role management
- Secure and encrypted communication
- Digital signatures which are legally valid
- Integrity of processes and decision points
- Archiving and traceability for both customers and the bank
- Interoperability between different entities, applications or services

All data exchange is stored outside the Lequinox platform at all times, the Lequinox platform only retains the transaction audit details. By using applications based on the Lequinox platform, individuals and organisations encrypt all their content locally in accordance with advanced encryption standards. They can securely archive content in a place of their choice and thus have full control over ownership right.

At a Glance

Based on the Lequinox platform, the BankSign application brings key features for professional digital communications in the banking industry; the identification and role management, encryption, signing, traceability and archiving.

- The interacting parties' identity verification can be ensured
- The communication is automatically protected by local encryption
- Digital signatures fulfil all legal and standards requirements
- Participants retain receipts of their interactions in their own archive
- Traceability and archiving for all parties in the interaction
- Ownership of information is protected
- Confidentiality of information is secured



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Benefits – Financial Institutions

- BankSign provides a secure way of communication regardless of content.
- The cost saving potential by using the BankSign solution are significant.
- The need for physical paper work will be reduced – creating cost and time savings.
- Other existing applications and financial solutions can be powered by the Lequinox Platform to achieve the same values in these applications, such as Microsoft Outlook.

Timeline to deploy

- Lequinox Platform can be deployed either on private hardware platform or through Cloud28+ / HP Helion Network.
- The applications/services can be connected to the Lequinox platform using APIs (REST APIs) and can be easily integrated with minimal interruption to service. Lequinox platform APIs utilize a set of services and functions to facilitate a dynamic integration with the application process.

BankSign based on Lequinox platform provides important benefits for:

Customer's Satisfaction	Compliance	Cost
<p>Customers can communicate with the bank in their preferred way (secure e-mail, mobile, tablet or internet-bank).</p> <p>Customers get their own archive and receipts along with original documents.</p> <p>BankSign application supports digital signing of agreements and customer forms.</p>	<p>Complete customer information signed by the customer</p> <p>Easy to check customer status and monitor compliance through bank's archive and traceability of audit logs.</p> <p>Storing the audit trail for compliance and auditing purposes.</p> <p>These audit trails contains who did what and when, and in what capacity.</p>	<p>Employees can add value to customers by having time to discuss financial products and solutions rather than spending time on administration.</p> <p>Lower costs for employee compliance and monitoring by audit and compliance functions.</p> <p>Electronic customer information easily usable, with easy updating of customer data and agreements.</p> <p>Avoiding costs of non-compliance, such as fines or penalties and minimize administration costs for paper trails and postage.</p>



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Hewlett Packard Enterprise – Value Proposition

Hewlett Packard Enterprise Consulting provides services to accelerate, scope, model and implement the Lequinox™ platform. Helping to adapt customer applications to mitigate risks, reduce time and cost overruns, by framing business requirements for the entire project and testing them, at early stages of the IT project. Ensuring a fully functioning process and compliance prior to investment in the application development and integration phases.

Lequinox™ Solution Design & Modelling Service – Base Service

Hewlett Packard Enterprise Consulting team will collect and validate customer requirements, policies, and user roles, adapt the application/business workflow to fulfill customer requirements and integrate with Lequinox™. Develop a simulation model of the proposed solution to demonstrate its feasibility, and provide a Bill of Materials for the proposed Lequinox™ platform based on pre-defined solution sizes.

Developer Workshop – Optional

Hewlett Packard Enterprise Consulting will conduct an application development workshop to provide consulting services on the design and implementation of the proposed solution, and assist application development teams to understand how Lequinox™ works.

A demonstration of working code samples with the available API's will introduce developers to the available functions, and assist with the understanding of how to integrate their business applications. A review of implementation plans for proposed application integration development is encouraged.

Security Workshop – Optional

Participating within the Lequinox™ framework and sharing personal information with other parties has also security and liability implications. Therefore Hewlett Packard Enterprise Consulting is offering a security workshop to discuss with customers the implications of sharing personal data with 3rd parties, and being a reference provider.

Developer Support – Optional

Hewlett Packard Enterprise Consulting can provide assistance to application development teams who may require additional support with the APIs or integration with the Lequinox environment.

Hewlett Packard Enterprise Helion CloudSystem Accelerator Service

This service focuses on the installation and configuration of the infrastructure. It includes the initial installation of CloudSystem in customer's Data Centre and the additional Lequinox™ platform installation with appropriated Cloud Service Automation (CSA) Connector